

Since the 1995 legislative session, the legislature has combined the appropriation for the six four-year campuses, five colleges of technology, and most of the Office of the Commissioner of Higher Education into a single, biennial lump-sum appropriation. Appropriations for the remaining units are contained in line items in the general appropriations act (House Bill 2). Long range building funds are appropriated in House Bill 5 for capital projects. The legislature also appropriates general fund to support the state pay plan that is applied to MUS employees.

How Does Tuition Fit in the Budget?



The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature.

The following table shows the total current unrestricted budget for the Montana University System for fiscal years 2000, 2002, 2004, and 2006. The state appropriated component (general fund, six-mill levy, other state funds, and selected federal funds) and tuition and other funds are shown separately. As shown on the table, the growth in the current unrestricted budget has been funded more from tuition and other fund increases than state appropriated funds.

Current Unrestricted Operating Funds
Summary Detail of Funding

	FY00	FY02	FY04	FY06
State Appropriation	\$134,395,354	\$144,239,818	\$147,818,744	\$156,167,603
Tuition & Fees	99,170,210	109,598,524	141,769,576	166,045,106
Scholarships & Fellowships	9,407,764	11,299,028	16,316,817	22,170,137
All Other	8,262,121	9,099,066	12,341,149	8,575,495
Total Budget	\$251,235,449	\$274,236,436	\$318,246,286	\$352,958,341

Percent Change 2000-2004

Total Budget	5.8%
State Appropriation	2.5%
Tuition & Fees	9.0%
Scholarships & Fellowships	15.4%
All Other	0.6%

Source: Board of Regents Approved Operating Budgets FY00, FY02 and FY04 (Schedules 3 and 10)



How Many Students Are Enrolled?



The following table shows actual full-time resident and nonresident student enrollment for fiscal years 1995 to 2007. Resident enrollment has steadily increased over this period while nonresident enrollment climbed steadily through fiscal year 1999 and has dropped off somewhat. Non-resident student tuition has increased at a rate of 23 percent per year since 1992.

Montana University System Educational Units Student FTE Enrollment
Fiscal 1995 - Fiscal 2007

Fiscal Year	Resident Student FTE	Annual % Change	Non-Resident Student FTE	Total Student FTE	Resident as % of Total
FY 95 Actual	23,573		6,303	29,876	78.9%
FY 96 Actual	23,557	-0.1%	6,758	30,315	77.7%
FY 97 Actual	24,020	2.0%	6,900	30,920	77.7%
FY 98 Actual	24,323	1.3%	6,904	31,227	77.9%
FY 99 Actual	24,436	0.5%	6,947	31,383	77.9%
FY 00 Actual	24,605	0.7%	6,893	31,498	78.1%
FY 01 Actual	24,851	1.0%	6,715	31,566	78.7%
FY 02 Actual	25,566	2.9%	6,524	32,090	79.7%
FY 03 Actual	26,226	2.6%	6,447	32,673	80.3%
FY 04 Actual	26,828	2.3%	6,353	33,181	80.9%
FY 05 Actual	26,322	-1.9%	6,441	32,763	80.3%
FY 06 Actual	26,422	0.4%	6,669	33,091	79.8%
FY 07 (Proj.)	27,175	2.8%	6,682	33,857	80.3%

* Data from the Office of the Commission of Higher Education (May 2005 & July 2006)

What does the State Percent Share mean in the MUS?



The state percent share is that proportion of the current unrestricted operating fund (which supports all components of the educational mission) for the university educational unit campuses that are funded by state funds (general fund and six mill levy revenue). This percentage is important as part of the university system budget because historically the state percent share level from the current budget is used to drive state funding levels to support present law programs in the next budget. In 1988 the state percent share of the university educational units' budget was 74 percent while in 2006 the state percent share is 39.5 percent.

LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

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HIGHER EDUCATION FUNDING



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Fiscal Pocket



"While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature...with this power comes authority to attach policy decisions and accountability measures to state funding."



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Organization and Governance

Section 20-25-201, MCA, defines the Montana University System (MUS) as:

- The University of Montana, with campuses in Missoula, Butte, Dillon, and Helena
- Montana State University, with campuses in Bozeman, Billings, Havre, and Great Falls

For budgeting purposes, the term “university system” also includes the:

- Office of the Commissioner of Higher Education
- Board of Regents
- Agricultural Experiment Station
- Forest and Conservation Experiment Station
- Cooperative Extension Service
- Bureau of Mines and Geology
- Fire Services Training School
- Community Colleges (17-7-102(13), MCA)

Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the Board broad, autonomous governing authority over the MUS. Article X, section 9, of the Montana Constitution provides “the government and control of the MUS is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the... system.” The Board consists of seven members appointed by the Governor. The regents’ powers and duties are further described in 20-25-301, MCA.

What Kinds of Funds Support the University System?



The MUS is funded from several sources, including the state general fund and statewide six-mill levy, tuition and fees, federal and private grants, service fees, service operations, and other sources. Using national accounting standards and state statute, the university system classifies its revenue and expenditures into various fund types. State funds appropriated for general operations and tuition are classified as “current unrestricted” funds.

Other fund types include current restricted (federal grants), current designated (service fees), current auxiliary (service operations such as dormitories), student loan funds, endowment funds, plant funds, and agency funds (fiduciary).

What Is the State’s Role in Funding the University System?



While the Montana Constitution grants governance authority to the Board of Regents, the power to appropriate state funds remains with the legislature. The MUS is funded through a combination of government money, in particular state general fund and revenue from the six-mill property tax levy, as well as federal program funds. Such funds must be appropriated by the legislature. With this “power of the purse” comes the authority to attach policy decisions and accountability measures to the funding.

On the other hand, higher education primarily consists of the delivery of service to private individuals who pay for services in a contractual manner. So the MUS is also supported with “private revenue” for services that individuals contract for including; tuition for courses, residence halls, food service, tickets for athletic and arts events, etc.

Within this constitutional configuration, therefore, a tension exists between the autonomy that comes with governance authority and the power that comes from the appropriation of state funds. Through a series of legal decisions, this tension has been reconciled as follows:

- The Montana Legislature cannot do indirectly, through fiscal appropriation, what it is not permitted to do directly by the Constitution. In other words, appropriation of state funds cannot be used to blatantly drive MUS governance policy as governance is the constitutional role of the Board of Regents.
- Legislative appropriation power does not extend to private funds received by state government that are restricted by law, trust agreement, or contract, such as student tuition and the other fees listed above.

- Legislative appropriation power does, however, allow the legislature to establish requirements of MUS compliance with audit, accounting and fiscal accountability measures.
- The Montana Legislature can establish conditions on the appropriated funds. If the MUS accepts the funds, it accepts the conditions.

For more information about this Constitutional structure and history, see *The Structure of Higher Education in Montana: Meandering the Murky Line*, Montana Legislative Services Division, Sept. 1999 memo available at:

<http://leg.mt.gov/content/publications/services/gal/opinions/regents.pdf>

Why Is General Fund So Important?



- State general fund support is the second largest source of revenue for the MUS.
- General fund appropriations in House Bill 2 provide the vehicle with which the legislature may have a public policy impact upon the MUS.
- Finally, Montana Supreme Court decisions say that the Regents’ power to govern must be harmonized with the legislature’s power to appropriate, set public policy, and ensure accountability of state revenue and expenditures.

How Is the State Appropriation Determined?



The legislature considers many factors to develop the MUS appropriation including:

- Projected student enrollment
- Base year actual expenditures and funding
- State funds available
- Legislative priorities
- Governor’s recommendation
- Board of Regents’ requests